

Message Text

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PAGE 01 BUDAPE 02558 081332Z

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ACTION EB-07

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SUBJECT: FOREIGN INVESTMENT CLIMATE AND STATISTICS

REF: A. STATE 165596

B. BUDAPEST 1058 (APRIL 29, 1974)

1. DIRECT INVESTMENT IN HUNGARY: HUNGARIAN GOVERNMENT DECREES ISSUED IN 1969 AND 1972 PROVIDE FOR POSSIBILITY OF FOREIGN FIRMS TO OWN UP TO 49 PERCENT OF A JOINT VENTURE ESTABLISHED IN HUNGARY IN COOPERATION WITH A LOCAL PARTNER. UNDER 1969 LAW ANY JOINT CORPORATION WOULD BE LIMITED TO MARKETING AND RESEARCH ONLY. 1972 DECREE, HOWEVER, BROADENED RANGE OF OPTIONS BY ALLOWING FOR JOINT COMPANIES TO ENGAGE IN MANUFACTURING, SUBJECT TO SPECIFIC APPROVAL OF COUNCIL OF MINISTERS. TO DATE, GOH HAS APPROVED ONLY ONE TRU JOINT VENTURE--AN AGREEMENT BETWEEN VOLVO AND CSEPEL STEEL AND IRON WORKS FOR MANUFACTURE OF FOUR-WHEEL DRIVE VEHICLES. IT NOW APPEARS THAT APPROVAL FOR ADDITIONAL JOINT VENTURES WILL BE GRANTED ONLY ON A MOST EXCEPTIONAL BASIS.

2. POSSIBILITIES FOR COOPERATION: IN AREA OF COOPERA-
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PAGE 02 BUDAPE 02558 081332Z

TION AGREEMENTS HUNGARY HAS BEEN EXTREMELY ACTIVE IN

OBTAINING WESTERN TECHNOLOGY WHILE AT SAME TIME HUSBANDING
ITS LIMITED HARD CURRENCY. OVER 300 AGREEMENTS WITH
WESTERN PARTNERS HAVE BEEN SIGNED. ABOUT 170 OF THESE
AGREEMENTS ARE WITH WEST GERMAN FIRMS. MOST OF AGREEMENTS
INVOLVE PRODUCTION SHARING AND LICENSE-REPURCHASE ARRANGE-
MENTS. AMERICAN FIRMS INCLUDING CORNING, STEIGER TRACTOR,
JOHN DEERE AND CORN PRODUCTION SYSTEM, HAVE CONCLUDED
SUCCESSFUL AGREEMENTS WITH LOCAL FIRMS. BOTH PATIENCE
AND PERSISTENCE ARE REQUIRED TO REALIZE COOPERATION
AGREEMENTS. GESTATION PERIOD IS OFTEN LONG AND BUREAU-
CRATIC DELAYS MAY BE MANY, PARTICULARLY IN AREAS OF ADVANCED
TECHNOLOGY WHERE WESTERN EXPORT CONTROL PROCEDURES MAY ALSO
PROVE DIFFICULT. HOWEVER, AMERICAN FIRMS SINCERELY
INTERESTED IN DOING BUSINESS IN HUNGARY ON BASIS OF
COOPERATION AGREEMENTS CAN EXPECT AN ENTHUSIASTIC
RESPONSE FROM THEIR HUNGARIAN PARTNERS.
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